



THE CHAIRMAN

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

June 9, 2003

The Honorable Richard H. Baker
Chairman
Subcommittee on Capital Markets, Insurance
and Government Sponsored Enterprises
U.S. House of Representatives
2129 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Baker:

Thank you for your March 26, 2003 letter concerning the Subcommittee's ongoing review of mutual funds. Along with the Subcommittee, helping to restore investor confidence in our securities markets is one of the Commission's highest priorities. We applaud the efforts of you and your colleagues on the Subcommittee for focusing on these important issues and promoting transparency, accountability, integrity and competition in the mutual fund industry.

In your letter, you have raised a number of questions regarding transparency of mutual fund fees, costs and operations, as well as mutual fund governance, the performance of fund directors, fund distribution practices and other matters. I share your interest in these matters and how they impact mutual fund investors. At my request, Paul Royce, the Director of the Division of Investment Management, and his staff have prepared the enclosed memorandum that provides the analysis you requested in your letter regarding these and other issues.

I hope that the Division's memorandum is helpful to you and your colleagues. As with other issues involving the Commission's responsibilities, I welcome the opportunity to share our views on these matters. If you have additional questions or comments, please do not hesitate to contact me at (202) 942-0100 or contact Paul directly at (202) 942-0720.

Sincerely,

A handwritten signature in black ink, reading "William H. Donaldson".

William H. Donaldson

Enclosure